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ABSTRACT

This report examines whether people who left welfare between 1997 and 1999 were more disadvantaged or less job-ready than were an early group who left welfare between 1995 and 1997. The study compared barriers to work and economic outcomes using data from the National Survey of America's Families. Overall, results found little evidence of poorer outcomes for recent leavers. Characteristics of the two groups were similar, except for the larger percentage with adverse health conditions in the recent group. Even given that difference, employment, wages, hours, earnings, and receipt of government benefits were similar across the two groups. There was a significant decline in the percentage of families with monthly income below the poverty level in the more recent group. More recent leavers experienced a better labor market than did the earlier group. Although employment rates for leavers did not significantly increase, the rates for women with children and less than or equal to a high school education did increase. The recent group reported more experience with economic struggles such as worries about having enough food and difficulties paying rent. The significant percentage of health problems and high returns to welfare indicated continuing problems for leavers. (SM)

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There is little evidence that recent leavers are more disadvantaged than earlier leavers.

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How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers

Pamela Loprest

Since passage of the Personal Responsibility and Work Opportunity Reconciliation Act (popularly known as welfare reform) in 1996, welfare caseloads have declined almost 50 percent nationally. Some claim this signals that welfare reform is a success; others argue that more information is necessary on what has happened to the families leaving welfare. In response, many studies have been conducted that examine outcomes for families that left welfare. Early results from these studies show that a majority of leavers are working, often full-time and at about the same wage rates as other, similar groups in the labor market.[1]

There is much concern, however, that the outcomes for families that left welfare soon after reform do not necessarily reflect the outcomes of future groups of leavers, who may fare progressively worse in the labor market. This concern stems in part from the idea that the most "job-ready" people left welfare first, leaving behind recipients who have more personal barriers to work. The implications of this hypothesis, if it is true, for groups of leavers is not clear. On the one hand, more recipients with barriers to work could mean that fewer recipients are leaving but that there are no differences in the level of job readiness of those who leave. On the other hand, more recent leaver groups could be more disadvantaged because time limits and sanctions for failing to meet work requirements can compel exit, regardless of barriers to work.

This brief examines whether a more recent group of leavers—those who left welfare between 1997 and 1999—appears more disadvantaged or less job-ready than an early group of leavers—those who left between 1995 and 1997—by comparing barriers to work and economic outcomes between the two groups.[2] The study uses data from the National Survey of America's Families—a large, nationally representative survey—conducted in 1997 and 1999.[3] The term "leaver" includes former recipients who received cash benefits at some point between 1995 and 1997 (for the early group) or 1997 and 1999 (for the later group) and who were no longer receiving benefits at the time of the interview in 1997 or 1999, respectively.[4] As time limits were being reached in some states during the 1997 to 1999 period and full family sanction use also increased during this period (U.S. Government Accounting Office 2000), it is possible that this more recent group of leavers is composed of fewer job-ready former recipients, on average.

Despite these concerns, this study finds relatively little evidence that recent leavers are more disadvantaged than earlier leavers. The characteristics of the two

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groups are similar, except that a larger percentage of the recent group are in poor health.

Labor market outcomes (including employment, wages, and earnings) and receipt of government benefits are also similar across both groups of leavers. In addition, there is a significant decline in the percentage of families with income below the poverty level in the more recent group. However, despite this evidence that the economic outcomes of recent leavers are the same or even better than those of earlier leavers, a greater percentage of recent leavers report experiencing economic hardships such as trouble paying rent.

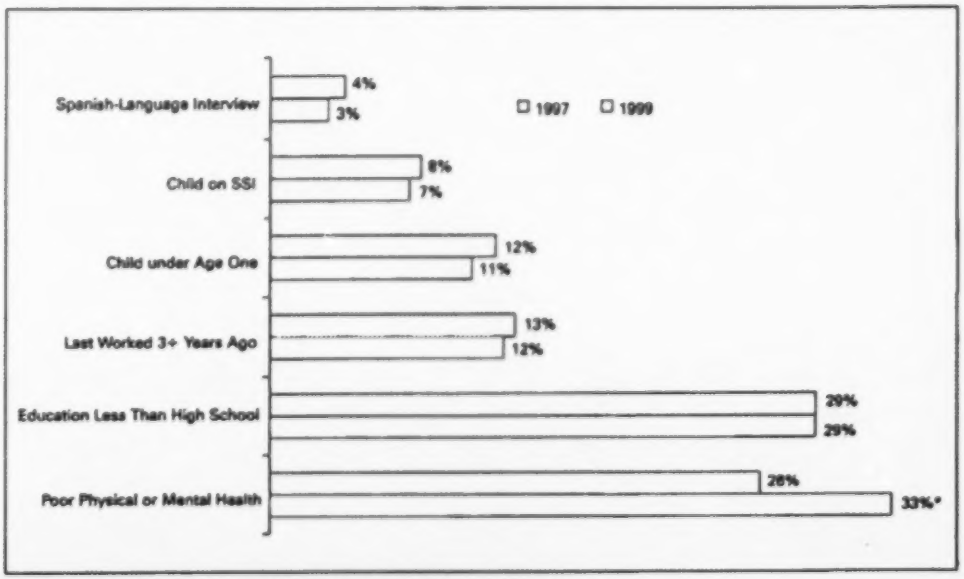
The extent of barriers to work in the recent group is similar to the earlier group, with one exception—poorer health.

Are Recent Leavers More Disadvantaged?

One indication of disadvantage among leavers is leavers returning to the Temporary Assistance for Needy Families (TANF) program. A lower percentage of leavers in the more recent group returned to welfare: 21.9 percent compared with 29.1 percent of the earlier group. Fewer returns to TANF could signal that the recent leavers are less disadvantaged than the early group. It could also reflect that, as families grow nearer to using up their time-limited TANF benefits or have already exhausted benefits, fewer are opting to (or able to) return.

The extent of barriers to work in the recent group of leavers is similar to the earlier group, with one exception—poorer health. In terms of education, lack of recent work experience, having an infant or child who receives Supplemental Security Income (SSI) (disability benefits), and lack of English language proficiency, the groups are not significantly different (see figure 1). The exception is a significant difference in health status across the two groups. A combined measure that indicates a person either has poor health status, claims health is the reason he or she is not working, or has very poor mental health shows that 33 percent of the more

FIGURE 1. Potential Barriers to Work: Former TANF Recipients, 1997 and 1999



Source: The Urban Institute's National Survey of America's Families, 1997 and 1999.
* Indicates significant difference between 1997 and 1999 at the 90 percent confidence level.

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recent group of leavers has one of these health barriers, compared with 26 percent of the earlier group. These results are replicated in a number of different health indicators (not shown). Since poor health or disability is correlated with less favorable labor market outcomes, this suggests that we might expect worse outcomes for the second group of leavers.

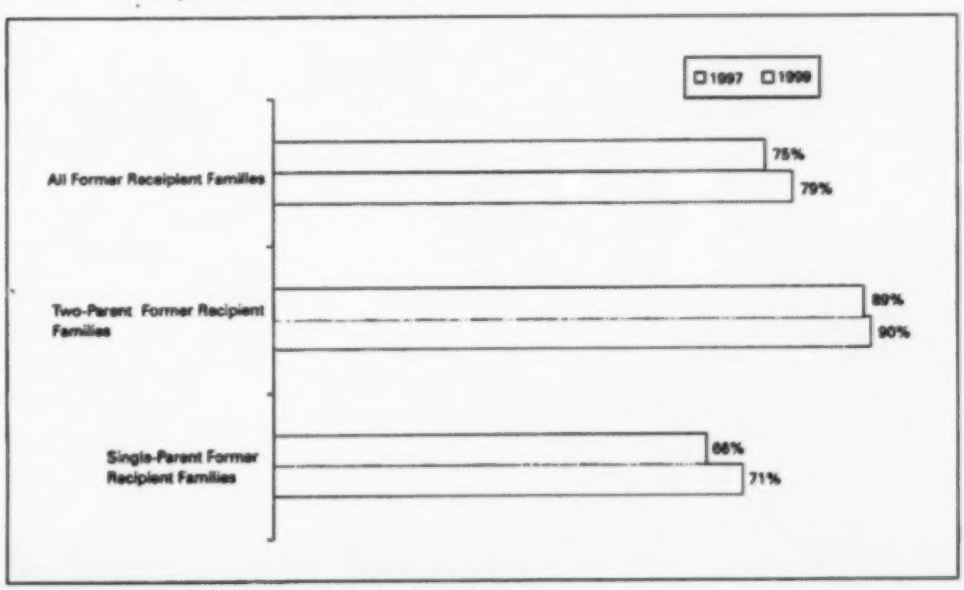
Are More Recent Welfare Leavers Better or Worse Off Economically?

Moving recipients into employment is a primary goal of the welfare legislation. In the more recent group of welfare leavers, a slightly higher but not significantly different percentage are working than in the earlier group—64 percent versus 61 percent.[3] Even when a former recipient is not working, some families rely on the earnings of a spouse or partner. This is important because more than one-third of former recipients in both groups are married or have an unmarried partner. At least one parent is working in about three-quarters of all former recipient families—75 percent in the earlier and 79 percent in the later group (see figure 2). Among single-parent leavers, employment rates increased from 66 percent to 71 percent across the groups. None of these differences between the groups are statistically significant.

While employment remains steady, it is also important to know if the quality of the jobs that leavers obtain has changed in recent years. The first indicator of job quality is hourly wage. Hourly wages for the more recent group of leavers are similar to those of the earlier group across the wage distribution. In 1999 dollars, median hourly wages are $7.15 for the recent group compared with $7.08 for the earlier group.[4] Hours of work and work schedules are also not significantly different across the two groups. In the more recent group, 68 percent of recipients are working 35

Employment [across the two groups] remains steady and hourly wages are similar.

*FIGURE 2. Percent of Families with At Least One Employed Parent: Former TANF Recipients, 1997 and 1999**



Source: The Urban Institute's National Survey of America's Families, 1997 and 1999.
* No significant differences between 1997 and 1999 at the 90 percent confidence level.

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TABLE 1. Median Monthly Earnings and Income: Former TANF Recipients in 1997 and 1999[a]

Median Monthly Measure	1997 Former Recipients, ($)	1999 Former Recipients, ($)
Earnings (working and nonworking families)	997	1,093
Cash, pretax income[b]	1,090	1,151
Percent below 100% poverty	*61%*	*52%**
Posttax expanded income *(including food stamps)*[c]	1,419	1,449
Percent below 100% poverty	*48%*	*41%**

Source: Author's calculations from the National Survey of America's Families.
a. Figures for 1997 are in 1999 dollars.
b. Cash, pretax income includes current monthly earnings of leaver and spouse/partner, plus relatively permanent sources of income received in the prior year (child support payment, Supplemental Security Income, social security, pension and investment income) adjusted to current monthly values. This definition is comparable to the federal poverty level measure of income.
c. Posttax expanded income includes cash, pretax income, plus estimates of Earned Income Tax Credits and payroll taxes. An estimate of the cash value of food stamps is also included for those reporting they currently receive food stamps.
*Indicates significant differences between 1997 and 1999 at the 90 percent confidence level.

hours or more, compared with 69 percent of the earlier group. About one-quarter of employed former recipients in both groups are working night or irregular schedules, which can make arranging child care more difficult.

Significantly more of the recent group of leavers have worked for more than two years at their current job: 18 percent compared with 10 percent.

One aspect of work that differs across the two groups is the time spent working for their current employer, which reflects a level of stability of employment. Contrary to the hypothesis that more recent leavers are less job-ready, significantly more of the recent group of leavers have worked for more than two years at their current job: 18 percent compared with 10 percent. This may reflect the increasing number of women working while on welfare, some of whom continued at the same job after exiting welfare.

Sources of Support after Leaving Welfare

Earnings are the major source of income for most families leaving welfare. The median total family monthly earnings for working families in the recent group of leavers is $1,360, which is not statistically different than the median of $1,246 for the earlier group. If work effort remained the same over the course of a year, this median would represent annual earnings of $16,320 for workers in the recent group. However, most research on low-income workers and other leaver studies show that work effort is not stable over time, so annual earnings are likely to be lower.

The median earnings level of workers does not reflect all leaver families' total income, because it does not include families that are not working and does not include non-earnings sources of income. When considering all former recipient families, working and not working, median monthly earnings are $997 and $1,093, respectively, for the two groups of leavers (see table 1). After adding information on child support payments, SSI, social security, and pension and investment income,[7] median monthly income is higher in 1999 but still not significantly different across the two groups of leavers: $1,090 and $1,151, respectively.

Since the federal Earned Income Tax Credit (EITC) can add substantially to income for low-wage workers, I created an expanded posttax measure of income that includes an estimate of the EITC and subtracts an estimate of payroll taxes. This measure also includes an estimate of the cash value of food stamps for those who reported that they currently receive these benefits.[8] This expanded posttax family income is also not significantly different across the two groups—$1,419 in 1999 dollars for the early group and $1,449 for the

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TABLE 2. *Indicators of Economic Struggles over the Previous Year: Former TANF Recipients in 1997 and 1999*

Indicator	1997 Former Recipients, (%)	1999 Former Recipients, (%)
Had to cut size of meal or skip meals because there wasn't enough food	33.4	32.7
Worried that food would run out before got money to buy more		
Often true	17.9	25.0*
Sometimes true	39.0	35.1
Food didn't last and didn't have money for more		
Often true	11.8	14.6
Sometimes true	37.6	39.9
A time in last year when not able to pay mortgage, rent, or utility bills	38.7	46.1*
Moved in with other people even for a little while because couldn't afford to pay mortgage, rent, or utility bills[a]	7.1	9.2

Source: Author's calculations from the National Survey of America's Families.
a. Only asked of those who had a time when there were not able to pay bills.
*Indicates significant differences between 1997 and 1999 at the 90 percent confidence level. Approximately 1 percent of respondents in the early cohort and 3 percent of respondents in the recent cohort did not answer the questions on food problems.

recent group. It is important to note that none of these income figures take into account expenses related to work, including child care expenses.

Although median monthly earnings and income levels are not different, there is a significant decline in the percentage of former recipient families with income below the federal poverty level. Using the cash, pretax measure of income, 61 percent of the early group of leavers and 52 percent of more recent leavers have income below the poverty level. After including the EITC and food stamps, the percentage of families in poverty falls to 48 percent in the early group and 41 percent in the recent group, still significantly different. The decline in poverty across the groups is partly because median income is so near the poverty level that small changes in income push families over the line.

Receipt of government benefits, such as food stamps and Medicaid, can add to family economic well-being, sometimes substantially. Although many former recipients remain eligible for both programs, receipt of these benefits drops off precipitously when families leave welfare (Zedlewski 2001). Less than one-third of leavers in either group were receiving food stamps at the time they were interviewed, 31 percent in the early group and 29 percent in the recent group. Only about one-third of former recipient adults in both groups (34 percent) reported having Medicaid coverage. The only significant difference is that a higher percentage of children in the more recent group had Medicaid—53 percent compared with 44 percent. This is likely related to coverage expansions in State Child Health Insurance Programs.

Measures of Material Hardship

Another measure of economic well-being is whether and how often a family experiences certain material hardships, such as not having enough food or being unable to pay the rent. Despite similar levels of work, earnings, and income on several

Although median monthly earnings and income levels are not different, there is a significant decline in the percentage of families with income below the federal poverty level.

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Less than one-third of leavers in either group were receiving food stamps.

measures of material hardship, the later group of leavers reports facing slightly more problems.

About one-third of both groups of leavers say they have had to cut the size of meals or skip meals because they did not have enough food in the past year (see table 2). More than half of both groups worried that food would run out before they got the money to buy more. Among the more recent group of leavers, a significantly greater percentage had this worry often compared with the earlier group of leavers. About half of both groups report that food did not last or they did not have money for more food at some time in the past year, either often or sometimes.

A significantly higher percentage of the more recent group of leavers, 46 percent, was unable to pay mortgage, rent, or utility bills in the past year compared with 39 percent for the earlier group. This could reflect increases in housing costs resulting from tight housing markets. A small percentage in both groups had to move in with others because of inability to pay bills—7 percent in the early group and 9 percent in the later group.

Conclusions

Despite concerns that future groups of welfare leavers may have poorer labor market outcomes, this study finds little evidence of this for the two cohorts of leavers examined here. Their characteristics are similar, except for a larger percentage with adverse health conditions in the recent group. Even given this difference, employment, wages, hours, earnings, and receipt of government benefits are for the most part similar across the two groups of leavers. In fact, a significant decline in the percentage of families with monthly income below the poverty level in the more recent group suggests that this cohort of leavers is doing somewhat better than the early cohort.

Still, despite the overall similarities, there may be some evidence for the hypothesis that subsequent groups of leavers are less job-ready. More recent leavers experienced a better labor market than the earlier group, as average monthly unemployment rates for the whole labor force fell from 4.9 percent in 1997 to 4.2 percent in 1999. Although employment rates for leavers did not significantly increase, employment rates for unmarried women with children and less than or equal to a high school education did—from 59 percent to 63 percent. Given these improvements in labor market outcomes for a group similar to former recipients, we might have expected to observe *improvement* in outcomes for leavers; that we do not observe significant improvements in economic outcomes across leaver groups on most measures except poverty could indicate that the more recent group of leavers is less job-ready.

In addition, although the economic outcomes of recent leavers are similar or even better than earlier leavers' the recent group reports greater experience of economic struggles such as worries about having enough food and difficulties paying rent. This may reflect the continuing high rate of poverty among leavers (41 percent for the recent cohort) and substantial increases in housing costs.

The significant percentage with health problems and high returns to welfare also indicates continuing problems for leavers. Although many have left welfare to work, others have had their benefits terminated because they failed to meet work requirements; in some cases, because of serious personal barriers such as poor health. Some states are following up with sanctioned families to help eligible families meet program requirements. Other states are implementing postemployment services and training to help families who left welfare for work retain jobs and get better jobs. In addition, continued attention needs to be focused on helping eligible families maintain food stamp and Medicaid benefits to assist in the transition to work.

Endnotes

1. Loprest (1999) compared the wage rates of employed leavers between 1995 and 1997 to other employed low-income women with children who

had not recently been on welfare and found that leavers' group wages were generally higher.

2. This brief is based on the paper of the same name that was presented at the New York Federal Reserve Bank conference "Welfare Reform Four Years Later" in November 2000; it is available at http://www.ny.frb.org/rmaghoene/welfarereform/papers.html.

3. For more information about the National Survey of America's Families, see Dean Brick et al. (1999).

4. The total unweighted sample of welfare leavers is 1,771 in the 1995-1997 group and 1,206 in the 1997–1999 group.

5. Working is defined as any positive weekly hours of work at the time of the survey interview.

6. Adjustments for inflation were made using the Consumer Price Index (CPI-X). All wages and, later in the brief, earnings and income are reported in 1999 dollars.

7. Although I do not have information on current sources of nonwork income in the National Survey of America's Families, I create a measure of current monthly income that includes families' average monthly receipt from the previous year of child support payments, SSI, social security, and pension and investment income.

8. The cash value of food stamps is estimated for families' reporting current receipt. I assume no deductions other than earnings.

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Pamela Loprest is a senior research associate in the Income and Benefits Policy Center. Dr. Loprest's research focuses on barriers and supports for work among low-income families and persons with disabilities. Her recent work examines welfare reform and work policies and families recently leaving welfare.

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This series presents findings from the 1997 and 1999 rounds of the National Survey of America's Families (NSAF). Information on more than 100,000 people was gathered in each round from more than 42,000 households with and without telephones that are representative of the nation as a whole and of 13 selected states (Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin). As in all surveys, the data are subject to sampling variability and other sources of error. Additional information on the NSAF can be obtained at **http://newfederalism.urban.org**.

The NSAF is part of ***Assessing the New Federalism***, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

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